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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

Tessera, Inc., Plaintiff and Counterdefendant, v. Advanced Micro Devices, Inc., et al., Defendants and Counterclaimants. Spansion, Inc., et al., Plaintiffs, v. Tessera, Inc., Claimant.

Case Nos. 4:05-cv-04063-CW and
4:10-cv-04954-CW

**Tessera's Memorandum of Points and
Authorities in Opposition to ST's and
Spansion's Motion to Extend Stay**

Filed concurrently herewith:
Declaration of Sundeep K. (Rob) Addy

INTRODUCTION

ST and Spansion seek a partial stay of this action that would apply to only two out of a multitude of defendants while the rest of the case progresses forward. Nowhere in their moving papers do ST and Spansion explain why such a partial stay makes sense or how it would work despite the Court's express instructions to do so.¹ Extending the stay because of Tessera's bond forfeiture proceedings would be contrary to the plain language of 28 U.S.C. § 1659 ("Section 1659"). First, Section 1659 no longer applies once "the determination of the Commission becomes final," which occurred here when the Supreme Court denied the ITC respondents' petition for *certiorari*. Second, the bond forfeiture proceeding and the present case do not involve the "same issues"—the latter involves questions of infringement and validity whereas the former involves the limited question of enforcement of the ITC judgment. In actuality, ST's and Spansion's motion reflects little else other than a persistent strategy of delay to avoid the final resolution of this case.

BACKGROUND

This case has been stayed since May 24, 2007, during the pendency of the ITC's 605 investigation. (Br. 2 [Doc. 939].) That investigation ended on May 20, 2009, when the ITC issued its final determination, as well as several limited exclusion orders ("LEOs") and cease-and-desist orders ("CDOs"), which specified the products that the respondents could no longer import or sell in the United States. The Federal Circuit affirmed the ITC's final determination, and the Supreme Court declined to review. *Spansion, Inc. v. Int'l Trade Comm'n*, 629 F.3d 1331 (Fed. Cir. 2010), *cert. denied*, 80 U.S.L.W. 3066 (Nov. 28, 2011).

Prior to this appellate process, federal law allows for the President to review an ITC determination for a period of 60 days after it is issued but before it becomes entirely enforceable (and appealable). *See* 19 U.S.C. § 1337(j)(2). Under the statute, if the President

¹ *See* Addy Decl. Ex. 1, Case Management Conference Tr. 43:9-12 Jan. 4, 2012 ("[E]xplain to me why you actually want [a stay] and how you think it's going to work if you get it, given that everybody else is going to be going forward without you and that you will ultimately have to catch up to the same schedule.").

disapproves of an ITC determination for policy reasons, that determination ceases to have any force and effect. *Id.* However, during the pendency of the President's review, a respondent may continue to import and sell an excluded product so long as the respondent posts a bond. Once the review period expires and the ITC determination becomes final, the bond may be forfeited to the complainant. *Id.* § 1337(j)(3). Here, the 60-day review period passed without Presidential action. Tessera thus instituted bond forfeiture proceedings against ST and Spansion regarding their importation and/or sale of covered products during the 60-day presidential review period. (Br. Ex. A.)

ARGUMENT

ST and Spansion attempt to use a collateral bond forfeiture proceeding, which is akin to collection of a judgment, as an excuse to halt this litigation. ST and Spansion rely on Section 1659, which requires a district court to stay civil action proceedings, at the request of an ITC respondent, if four distinct conditions are satisfied: (1) the proceeding before the Commission is under Section 337 of the Tariff Act of 1930; (2) the request to stay the civil action is made by a party that is also a respondent in the Section 337 proceeding; (3) the "determination of the Commission" is not yet final; and (4) the civil action involves "the same issues" involved in the proceeding before the Commission. *See* 28 U.S.C. § 1659(a).² The instant motion should be denied because ST and Spansion cannot satisfy the third or fourth requirements.

I. THE ITC DETERMINATION IS FINAL

A stay under Section 1659 is only effective "until *the determination* of the Commission becomes final." *Id.* (emphasis added). It is undisputed that the ITC's determination regarding

² The statute reads, in relevant part, "In a civil action involving parties that are also parties to a proceeding before the United States International Trade Commission under Section 337 of the Tariff Act of 1930, at the request of a party to the civil action that is also a respondent in the proceeding before the Commission, the district court shall stay, until the determination of the Commission becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission" 28 U.S.C. § 1659(a).

1 the validity and infringement of the patents-in-suit has become final. (Br. 2-3.) To support
 2 an extension of the stay, ST and Spansion must therefore argue that there is some other ITC
 3 “determination” that is not yet final. The statute, however, does not require *every*
 4 determination made by the ITC to be final for the stay to be lifted. Instead, it refers to “*the*
 5 determination,” which is a reference to the central determination before the ITC of whether
 6 a violation of 19 U.S.C. § 1337 (“Section 1337”) has occurred and would result in issuance
 7 of a CDO or LEO. Section 1337(c) specifies that “[t]he Commission shall determine, with
 8 respect to each investigation conducted by it under this section, whether or not there is a
 9 violation of this section”³. *See also id.* § 1337(b)(1) (“The Commission shall conclude any
 10 such investigation and make *its determination* under this section (emphasis added)).

11 In *In re Princo Corp.*, the Federal Circuit held that the phrase “until the determination
 12 of the Commission becomes final” means that the stay is effective until the Commission’s
 13 determination is no longer subject to judicial review. 478 F.3d 1345, 1355 (Fed. Cir. 2007). In
 14 so holding, the Federal Circuit relied on legislative history that the purpose of the section
 15 was to “address the possibility that infringement proceedings may be brought against
 16 imported goods in two forums at the same time.” *Id.* (citing H.R. Rep. No. 103-826(I) at 141
 17 (1994)). A bond forfeiture proceeding is, of course, not an infringement proceeding (nor, as
 18 explained below, does it involve an infringement analysis).

19 The Federal Circuit also noted that “interpreting § 1659 to permit the district court
 20 proceedings to continue while the Commission proceedings are on appeal would result in
 21 cumbersome on-again, off-again stays. It is unlikely that Congress intended such a result.” *Id.*
 22 The court thus recognized that Section 1659 sets out a single, clearly-discernible termination
 23 point for the ITC proceedings upon which a stay would be based. Under ST’s and Spansion’s
 24

25 ³ Furthermore, the subsection governing Presidential referral and bond forfeiture
 26 proceedings states that “[i]f *the determination* become final, the bond may be forfeited to the
 27 complainant.” 19 U.S.C. § 1337(j)(3) (emphasis added). This underscores that “the
 28 determination” is a reference to the ITC final determination, not a bond forfeiture
 determination.

view of the statute, however, a stay would be lifted when the Supreme Court denies certiorari, but must then be re-imposed *at any point in the future* if the complainant seeks any kind of collateral relief (such as forfeiture of a bond under Section 1337(j)(3) or enforcement of a remedial order under Section 1337(f)(2)) related to those administrative proceedings.

Here, it is undisputed that the ITC's determination on infringement and validity of the patents-in-suit is final. This forecloses the operation of the statute and, accordingly, the instant motion.

II. THE BOND FORFEITURE PROCEEDINGS DO NOT RAISE THE "SAME ISSUES" PRESENT HERE

ST's and Spansion's claim that an ITC bond forfeiture proceeding would involve the "same issues" before this Court is incorrect. As set forth in Tessera's motion for bond forfeiture ("ITC Brief" (attached to ST's and Spansion's brief as Exhibit A [Doc. 940-1])), the only issues before the ITC are: (1) whether the respondents posted any bonds during the 60-day Presidential review period; (2) whether the respondents imported or sold products that were subject to the CDOs or LEOs during that period; and (3) whether respondents' posted bonds were not sufficient to cover all covered imports or sales during the Presidential review period. (ITC Brief 12-13.)

In this case, of course, the issues are very different. This Court will be considering whether Tessera's patents⁴ are infringed by certain of ST's and Spansion's accused products. That is a question long since passed upon by the ITC, the Federal Circuit, and the Supreme Court. (Addy Decl. Ex. 2, Final ITC Determination 79 ("We find that all Respondents

⁴ Three of the five patents asserted here were not asserted in the 605 ITC investigation. *See* Notice of Investigation, *In The Matter of Certain Semiconductor Chips With Minimized Chip Package Size and Products Containing Same*, Inv. No. 337-TA-605, 72 Fed. Reg. 28,521 (May 21, 2007) (scope of investigation defined by notice of investigation). Thus, any Section 1659 stay would not only be limited to certain *defendants*, it must also be limited to the overlapping *patents*. *SanDisk Corp. v. Phison Elecs. Corp.*, 538 F. Supp. 2d 1060, 1065 (W.D. Wis. 2008). And even if Section 1659 required a stay as to those overlapping patents, which it does not, the case could continue to proceed against ST and Spansion as to the remaining three patents.

1 directly infringe the asserted claims of the '326 and '419 patent[s].”)); *Spansion, Inc.*, 629 F.3d
2 at 1353.

3 ST and Spansion argue that infringement is at issue in the ITC bond forfeiture
4 proceedings because the LEOs and CDOs cover “infringing products”. (Br. 4-5.) But this
5 argument ignores the ITC’s final determination underlying those orders, which established
6 specific objective criteria for identifying products the ITC had found to infringe.⁵ In the
7 bond forfeiture proceeding, the ITC must determine only whether ST or Spansion imported
8 or sold products meeting those objective criteria during the Presidential review period, and,
9 if so, whether the bonds posted (or that should have been posted) should be forfeited to
10 Tessera. Patent infringement is simply not at issue. Rather, the bond proceeding involves
11 only the straightforward application of rulings already made by the ITC—not re-litigation of
12 infringement issues already resolved with finality, both at the ITC and on appeal.

13 In addition, a partial stay of this action that affects only some defendants and some
14 patents would disrupt the efficient resolution of this case, creating a second track of
15 proceedings for ST and Spansion that would threaten to delay and derail these proceedings.
16 ST and Spansion make no effort to explain how or why this Court could entertain their
17 request without prejudicing every other party in the case and wasting valuable judicial
18 resources.

19 CONCLUSION

20 For the foregoing reasons, Tessera respectfully requests that the Court deny ST’s and
21 Spansion’s motion to extend the stay pursuant to 28 U.S.C. § 1659.

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23
24 ⁵ Specifically, the products found to have infringed Tessera’s patents are ball grid array chip
25 packages (a) wherein at least one semiconductor chip is in a face-up orientation, (b) having a
26 laminate package substrate, (c) having a solder ball pitch of less than 1.27 millimeters, (d)
27 where at least one terminal or solder ball is beneath (*e.g.*, within the periphery of) a
semiconductor chip in the package,” (e) with at least 36 solder balls, (f) having a die attach
modulus of 3.5 Giga Pascals or less, and (f) that are not flip-chip, package-in-package, or
tape-based products. (Addy Decl. Ex. 2, ITC Final Determination 10-11.)

DATED: January 13, 2012

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